

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

1800 Third Street, Suite 390
P. O. Box 952054
Sacramento, CA 94252-2054
(916) 322-1554
FAX (916) 323-6660

**SEEDS****State Enterprise and Economic Development Section****MANAGEMENT MEMORANDUM****Memorandum Number 7-03****Date: May 21, 2007****TO: All Enterprise Zones**

**From: Frank Luera, Chief
State Enterprise and Economic Development Section
DIVISION OF FINANCIAL ASSISTANCE
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

SUBJECT: Requests for Noncontiguous Expansions of Enterprise Zones—Guidelines

The purpose of this memorandum is to provide guidance on the implementation of recent legislation allowing enterprise zones to expand into noncontiguous areas. The following sections describe the conditions that apply to a noncontiguous expansion and the Department of Housing and Community Development's (Department) application requirements.

Noncontiguous Expansions Permitted

Previously, enterprise zones that expanded had to include definitive boundaries that were contiguous to their zones. However, recently-enacted legislation permits enterprise zones to expand into areas within the same jurisdiction that are noncontiguous. Specifically, Assembly Bill 1550 (Chapter 718 of 2006) amended Section 7074 of the Government Code to read, in part, that a city, county, or city and county may propose expansion into a noncontiguous area if the Department finds that certain conditions exist.

With this amendment, the Department has modified the requirements for expansion requests. Effective immediately, when reviewing applications for noncontiguous expansions, the Department will apply 1) the general criteria that govern all zone expansions, and 2) the specified criteria in the statutory language that govern noncontiguous expansions. The following sections describe the applicable criteria and the Department's application guidelines.

General Criteria for Zone Expansions. Sections 7074(a) and (b) of the Government Code govern expansions within a single jurisdiction. These sections state the following:

- A zone may be expanded by up to 15 percent or 20 percent if the zone covered no more than 13 square miles on the date of original designation.
- The governing body of each adjacent jurisdiction must approve the expansion by ordinance or resolution.
- Land in the proposed expansion must be zoned industrial or commercial.
- Basic infrastructure (gas, water, electrical, sewer, etc.) must be available.

All requests for expansions, whether contiguous or not, must comply with these requirements.

Additional Criteria for Noncontiguous Expansions. Section 7074(e) of the Government Code states that a noncontiguous expansion must satisfy two criteria. First, the jurisdiction(s) must show that the noncontiguous area is needed to implement the enterprise zone's economic development strategy (EDS). The enterprise zone's original application for designation describes its EDS. Its purpose is to plan for the use of state and local programs, and incentives to create jobs, attract private investment, and improve economic conditions in the proposed zone.

The second criterion states that the jurisdictions must also demonstrate that the excluded areas between the proposed new boundaries would not, based on the enterprise zone's EDS, also benefit from the expansion.

Application for a Noncontiguous Expansion

To request an expansion into a noncontiguous area, an enterprise zone must submit an application to the Department that demonstrates or satisfies the following conditions:

1. *The expansion meets the general statutory criteria for expansions.* For this part of the application, the enterprise zone must provide the following:
 - (a) Show that the expansion request, when added to any previous requests, does not exceed the maximum allowable expansion acreage;
 - (b) Include a resolution from each applicable jurisdiction approving the expansion;
 - (c) Demonstrate that the land in the proposed expansion is zoned industrial or commercial;
 - (d) Provide evidence that basic infrastructure is available in the expanded area.
2. *The expansion is needed to implement the zone's economic development strategy (EDS).* For each goal in the EDS, the application should describe the current level of accomplishment, and how the expansion will help the zone to further accomplish that goal. To provide this information, the application should include the following table:

Table A
Impact of the Expansion
On
The Economic Development Strategy

Strategic Goal	Status of Goal	Impact of Expansion	Impact Measure
<i><u>Instructions:</u> List each strategic goal or objective described in the Original Application. For each goal, identify its source, i.e., Application Section and Page.</i>	<i><u>Instructions:</u> Indicate the status of the goal, e.g., whether the zone has started the task(s) associated with the goal, and the percentage of the task(s) the zone has completed.</i>	<i><u>Instructions:</u> Describe how the expansion will help the zone implement each strategic goal.</i>	<i><u>Instructions:</u> Identify the performance or quantifiable measure the zone will use to assess the expansion's impact on the goal.</i>

3. The expansion would not benefit the area excluded between the proposed new boundaries based on the enterprise zone's EDS. For each goal in the EDS, the application should show why the excluded area would not benefit from inclusion in the expansion. Use the following table and format to provide this information:

Table B
Impact of the Expansion
On
The Excluded Area

Strategic Goal	Impact on Excluded Areas
<i><u>Instructions:</u> List each strategic goal or objective described in the Original Application. For each goal, identify its source, i.e., Application Section and Page.</i>	<i><u>Instructions:</u> Describe why implementation of the goal or objective would not benefit the excluded area(s).</i>

Noncontiguous Expansions into Adjacent Jurisdictions Not Permitted

Newly enacted subdivision (e) of Government Code Section 7074 permits enterprise zones to expand into noncontiguous areas. However, existing subdivision (c) of Section 7074, which was not amended by AB 1550, continues to require that an expansion into an adjacent jurisdiction must be contiguous to the existing zone. This requirement applies to new expansions into adjacent jurisdictions, and expansions of existing areas located in adjacent jurisdictions. Therefore, the Department will not consider requests for noncontiguous expansions in adjacent jurisdictions.

If you have any questions about noncontiguous expansions, please call me at (916) 327-2862.